



Statement of Work for a Shared Services Plan

Action Item

Recommendation: Approve statement of work to develop a shared services master plan that will (1) identify and prioritize the implementation of shared services in the State, (2) identify potential implementation issues and the steps the State can take to mitigate those issues, (3) estimate and identify the value, timeframes, and any statutory or policy changes necessary to implement shared services, and (4) develop an implementation strategy.

Executive Summary

The Department of Technology Services (DTS) provides a variety of centralized information technology (IT) services. These services include processing of information on mainframe and mid-range computer systems and operating statewide telecommunication networks. In general, it is believed that centralization of these types of services provides a higher level of service and costs less than having each department conduct these activities on their own. Over the last few years, centralized service providers such as DTS have begun to offer services that were traditionally provided on an agency by agency basis. This document provides the Technology Services Board (TSB) with a general understanding of these types of new centralized services, some challenges that the State may face in implementing these services, and a recommendation on how the State can move forward in implementing these new services.

Shared Services Would Offer Many Benefits to the State

Definition of Shared Services

These new centralized services are typically referred to as “shared services” which means providing a comprehensive suite of activities in a single service offering. For example, operating an email system includes establishing email ids, accepting emails into inboxes, and screening emails for viruses. A shared service for email means the department pays one cost that includes all of these activities. Shared services are different from traditional data center services because those services are typically paid for on an activity by activity basis. For example, when a department uses a DTS mainframe, it pays for each activity conducted on the mainframe such as processor usage and tape access—not a single cost for *all* of the activities.



Another definition of a shared service is that it encompasses all of those “back-office” functions that are basically performed in the same way by all departments. For example, some online Internet systems process and accept payments. Typically, departments must develop or purchase their own systems for processing payments. A shared “payment processor” service could be all departments using the same centrally operated software and hardware at the same cost.

Several Benefits May Be Achieved From Shared Services

According to several studies, states may be able to achieve a number of benefits from shared services. For example, IT costs would be reduced since hardware and software purchases are made only once and those costs are spread between multiple departments. In addition, shared services provide a consistent level of service since the service includes a comprehensive suite of activities and all entities purchasing the service experience the same activities. On the other hand, if a department were to implement the service on its own, it may not experience the same service level because it may not have the resources to perform all of the activities.

Implementing Shared Services May Offer Some Challenges

Even though shared services may have benefits, it may also pose some challenges. For example, in some cases, it may make more fiscal sense to have contractors develop the service, and then have the State support the service. However, it is not clear when this would be advantageous to the State. In addition, since shared services are utilized by many departments, governance structures should be in place to ensure that the service meets departments’ program needs. Yet, it is not clear what governance structure is needed. Also, some departments may have to change their internal processes in order to receive the shared services’ fiscal and program benefits. However, it is not clear what changes departments would need to make to achieve all of the benefits. It is important that the State understand these challenges before implementing shared services and take measures to mitigate any problems.

State Has Not Yet Developed Shared Services Strategy

TSB Services Committee Identifies Lack of Master Plan

In December 2006, the TSB Services Committee discussed some of these issues surrounding the implementation of shared services. The Committee noted that the State has not yet developed a shared services master plan and strategy. As a result, the TSB Services Committee directed DTS to develop a statement of work to acquire an independent consultant to develop a master plan for shared services.



Recommend Approval of Statement of Work

Under the direction of the TSB Services Committee, we recommend that the TSB approve the following statement of work for an independent consultant to develop a shared services master plan, which includes:

- Identification and prioritization of shared services that would provide fiscal and program benefits to the State.
- Identification of any issues that the State may face in implementing those services and the steps the State could take to mitigate those issues.
- Identification of statutory or policy changes that would be necessary to implement shared services.
- Estimation of the value and timeframes for implementing shared services.
- Development of a shared services implementation strategy.